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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

ROBERT "BOB" BURNS - Chairman  
BOYD DUNN  
SANDRA D. KENNEDY  
JUSTIN OLSON  
LEA MÁRQUEZ PETERSON

SEP 11 2019

DOCKETED BY

CLX

In the matter of:

RONALD HORN, an unmarried man,

DANIEL RONDBERG, and JENNIFER  
RONDBERG, husband and wife,

RANDY RONDBERG, and KATHERINE  
RONDBERG, husband and wife,

JASON WALTER, and SAMANTHA  
WALTER, husband and wife,

JOHN WALTER, and JANIS WALTER,  
husband and wife, and

TRAGER, L.L.C., an Arizona limited  
liability company.

Respondents.

DOCKET NO. S-21038A-18-0022

DECISION NO. 77400

**ORDER TO CEASE AND DESIST, ORDER  
FOR ADMINISTRATIVE PENALTIES AND  
CONSENT TO SAME  
BY: RESPONDENT TRAGER, L.L.C.**

Respondent Trager, L.L.C. ("Respondent") elects to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order to Cease and Desist, Order for Administrative Penalties and Consent to Same ("Order"). Respondent admits the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Commission solely for the purpose of settling this proceeding.

**I.****FINDINGS OF FACT**

1. Respondent is a limited liability company organized under the laws of the state of Arizona on November 3, 2003. Since at least February 18, 2015, Respondent's offices have been located in Arizona, and Randolph Rondberg has been the sole manager and member of Respondent. Respondent has not been registered by the Commission as a securities salesman or dealer. Respondent uses the trade name "Nation's First Financial."

2. Respondent sold securities issued by Woodbridge Mortgage Investment Fund 1, LLC ("Fund 1"), Woodbridge Mortgage Investment Fund 2, LLC ("Fund 2"), Woodbridge Mortgage Investment Fund 3, LLC ("Fund 3"), and/or Woodbridge Mortgage Investment Fund 3A, LLC (collectively, "the Woodbridge Funds").

3. The Woodbridge Funds were commercial lenders that made hard-money loans secured by commercial property. The Woodbridge Funds raised money from investors to help fund the hard-money loans. The Woodbridge Funds referred to these investments as First Position Commercial Mortgages ("FPCMs").

4. From approximately February 18, 2015, to approximately October 4, 2016, Respondent sold approximately 424 FPCMs to primarily Arizona investors, raising approximately \$22,863,378 for the Woodbridge Funds.

5. An FPCM consisted of a promissory note from a Woodbridge Fund, a loan agreement, and a non-exclusive assignment of the Woodbridge Fund's security interest in the mortgage for the underlying hard-money loan. The Woodbridge Funds pooled money from multiple investors for each hard-money loan. If a Woodbridge Fund defaulted on its promissory note to an investor, the FPCM assignment documents required it to pay to the investor any payments the Woodbridge Fund received from the underlying hard-money borrower.

6. The FPCMs were securities in the form of notes, investment contracts, and real property investment contracts.

1           7.     On May 4, 2015, a Consent Order (the “Massachusetts Order”) was entered by the  
2     Massachusetts Securities Division against Fund 1, Fund 2, and Fund 3. Fund 1, Fund 2, and Fund 3  
3     had submitted an Offer of Settlement to the Massachusetts Securities Division on April 29, 2015 to  
4     resolve its investigation into whether their sales of unregistered FPCMs to Massachusetts residents  
5     violated the Massachusetts Uniform Securities Act, Mass. Gen Laws ch. 110A. Fund 1, Fund 2, and  
6     Fund 3 admitted the Statement of Facts set forth in Section VI of the Massachusetts Order, neither  
7     admitted nor denied the Violations of Law set forth in Section VII of the Massachusetts Order, “and  
8     consent[ed] solely for the purpose of these proceedings to the entry of this Order by the Division,  
9     consistent with the language and terms of the Offer, settling the claims brought hereby with  
10    prejudice.”

11          8.     Fund 1, Fund 2, and Fund 3 settled the Massachusetts investigation before any  
12    proceeding was filed against them by consenting, in the Massachusetts Order, to findings that they  
13    sold unregistered securities. The Massachusetts Order also required them to offer rescission to  
14    Massachusetts investors and pay a civil penalty of \$250,000.

15          9.     The Massachusetts Order did not find that Fund 1, Fund 2, and Fund 3 had violated  
16    any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct.

17          10.    On July 17, 2015, the Texas Securities Board issued an emergency cease and desist  
18    order (the “First Texas Order”) against Fund 3, Robert H. Shapiro (“Shapiro”), as the person  
19    controlling Fund 3, and others who promoted and sold FPCMs in Texas.

20          11.    The First Texas Order alleged, among other things, that Fund 3 and Shapiro had  
21    offered and sold unregistered securities without being registered to sell them and were engaged in  
22    fraud in connection with the offer for sale of securities.

23          12.    On March 18, 2016, the Texas Securities Board issued an order that set aside the First  
24    Texas Order. This order, to which Fund 3 and Shapiro consented, was titled: “Agreed Order Setting  
25    Aside Order No. ENF-15-CDO-1740” (the “Texas Agreed Order”).  
26

1           13.     The Texas Agreed Order contained Conclusions of Law that the FPCMs were  
2 securities and that Fund 3 and Shapiro offered them at a time when the securities were not registered  
3 with the Texas Securities Commissioner.

4           14.     The Texas Agreed Order did not find that Fund 3 or Shapiro had violated any laws or  
5 regulations that prohibit fraudulent, manipulative, or deceptive conduct.

6           15.     Respondent omitted to inform at least one of its Arizona FPCM investors before they  
7 invested of the Massachusetts Order, the First Texas Order, and/or the Texas Agreed Order.

8           16.     FPCMs involved risks that are typically associated with real estate investments. An  
9 investor might need to sue the Woodbridge Fund or the third party hard-money borrower to recover  
10 the investment. The value of the real estate collateral for the hard-money loan might be too low due  
11 to depreciation or the Woodbridge Funds' failure to properly value it. If the real estate does not  
12 adequately collateralize the loan, the Woodbridge Funds may fail to maintain enough liquid cash  
13 reserve to continue making payments to the investor. And the investor's security interest in the real  
14 estate collateral could be invalidated by the Woodbridge Funds' failure to properly perfect the  
15 security interest (collectively "Risks").

16          17.     Respondent omitted to inform at least one of its Arizona FPCM investors before they  
17 invested about the Risks of investing in the FPCMs.

18          18.     On October 4, 2016, the Commission issued an order against the Woodbridge Funds,  
19 WMF Management, LLC, Woodbridge Group of Companies, LLC, Shapiro, Robert W. Carfagno,  
20 Sr. and his spouse, AIO Financial LLC, and William M. Holliday and his spouse.

21          19.     The order was titled "Temporary Order to Cease and Desist and Notice of Opportunity  
22 for Hearing" (the "Temporary Order").

23          20.     The Temporary Order alleged a number of securities violations by the respondents  
24 and ordered the respondents to cease and desist from committing any violations of the Securities Act.

25          21.     On December 4, 2017, the Woodbridge Funds and numerous affiliated entities filed  
26 for protection under the U.S. Bankruptcy Code, Chapter 11.

22. On November 27, 2018, the Commission issued an Order, which respondents the Woodbridge Funds, WMF Management, LLC, and Woodbridge Group of Companies, LLC consented to, finding that they violated registration and anti-fraud provisions of the Securities Act. The order included an administrative penalty of \$150,000 against these respondents, jointly and severally.

23. Also on November 27, 2018, the Arizona Corporation Commission issued an Order which Shapiro consented to, finding that he violated anti-fraud provisions of the Securities Act. The order included an administrative penalty of \$150,000 against Shapiro.

## II.

### CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondent offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(16), 44-1801(22), and 44-1801(27).

3. Respondent violated A.R.S. § 44-1841.

4. Respondent violated A.R.S. § 44-1842.

5. Respondent violated A.R.S. § 44-1991(A)(2).

6. Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. Respondent's conduct is grounds for administrative penalties pursuant to A.R.S. § 44-2036.

## III.

### ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondent's consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

1 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent, and any of its agents,  
2 employees, successors and assigns, permanently cease and desist from violating the Securities Act.

3 IT IS FURTHER ORDERED that Respondent comply with the attached Consent to Entry of  
4 Order.

5 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 that Respondent shall pay an  
6 administrative penalty in the amount of \$50,000 as a result of the conduct set forth in the Findings of  
7 Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be  
8 made to the "State of Arizona." Any amount outstanding shall accrue interest as allowed by law.

9 For purposes of this Order, a bankruptcy filing by Respondent shall be an act of default. If  
10 Respondent does not comply with this Order, any outstanding balance may be deemed in default and  
11 shall be immediately due and payable.

12 IT IS FURTHER ORDERED that if Respondent fails to comply with this order, the  
13 Commission may bring further legal proceedings against Respondent, including application to the  
14 superior court for an order of contempt.

15 IT IS FURTHER ORDERED that no finding of fact or conclusion of law contained in this  
16 Order shall be deemed binding against any Respondent under this Docket Number who has not  
17 consented to the entry of this Order.

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IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

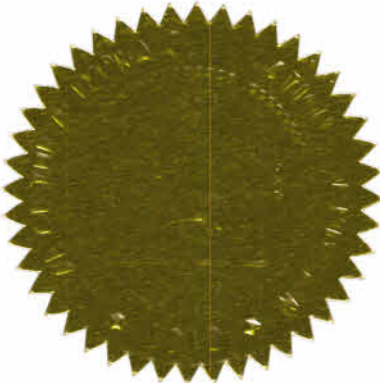
CHAIRMAN BURNS

COMMISSIONER DUNN

COMMISSIONER KENNEDY

COMMISSIONER OLSON

COMMISSIONER MARQUEZ PETERSON



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,  
Executive Director of the Arizona Corporation Commission,  
have hereunto set my hand and caused the official seal of the  
Commission to be affixed at the Capitol, in the City of Phoenix,  
this 11<sup>th</sup> day of September, 2019.

MATTHEW J. NEUBERT  
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator,  
voice phone number (602) 542-3931, e-mail [kcannon@azcc.gov](mailto:kcannon@azcc.gov).

(PSK)

**CONSENT TO ENTRY OF ORDER**

1  
2           1.       Respondent admits the jurisdiction of the Commission over the subject matter of this  
3 proceeding. Respondent acknowledges that it has been fully advised of its right to a hearing to  
4 present evidence and call witnesses, and Respondent knowingly and voluntarily waives any and all  
5 rights to a hearing before the Commission and all other rights otherwise available under Article 11  
6 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondent acknowledges  
7 that this Order to Cease and Desist, Order for Administrative Penalties and Consent to Same  
8 (“Order”) constitutes a valid final order of the Commission.

9           2.       Respondent knowingly and voluntarily waives any right under Article 12 of the  
10 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting  
11 from the entry of this Order.

12           3.       Respondent acknowledges and agrees that this Order is entered into freely and  
13 voluntarily and that no promise was made or coercion used to induce such entry.

14           4.       Respondent has been represented by an attorney in this matter, it has reviewed this  
15 order with its attorney, Paul Roshka of Polsinelli PC, and it understands all terms it contains.  
16 Respondent acknowledges that its attorney has apprised it of its rights regarding any conflicts of  
17 interest arising from dual representation. Respondent acknowledges that it has each given its  
18 informed consent to such representation.

19           5.       Respondent neither admits nor denies the Findings of Fact and Conclusions of Law  
20 contained in this Order and consents to the entry of this Order by the Commission solely for the  
21 purpose of settling this proceeding. Respondent agrees that it shall not contest the validity of the  
22 Findings of Fact and Conclusions of Law contained in this Order in any present or future proceeding  
23 in which the Commission is a party.

24           6.       Respondent further agrees that it shall not deny or contest the Findings of Fact and  
25 Conclusions of Law contained in this Order in any present or future: (a) bankruptcy proceeding, or  
26 (b) non-criminal proceeding in which the Commission is a party (collectively, “proceeding(s)”). It



1 further agrees that in any such proceedings, the Findings of Fact and Conclusions of Law contained  
2 in this Order may be taken as true and correct and this Order shall collaterally estop it from re-  
3 litigating the accuracy of the Findings of Fact and Conclusions of Law contained in this Order.

4 7. By consenting to the entry of this Order, Respondent agrees not to take any action or  
5 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of  
6 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual  
7 basis.

8 8. While this Order settles this administrative matter between Respondent and the  
9 Commission, Respondent understands that this Order does not preclude the Commission from  
10 instituting other administrative or civil proceedings based on violations that are not addressed by this  
11 Order.

12 9. Respondent understands that this Order does not preclude the Commission from  
13 referring this matter to any governmental agency for administrative, civil, or criminal proceedings  
14 that may be related to the matters addressed by this Order.

15 10. Respondent understands that this Order does not preclude any other agency or officer  
16 of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal  
17 proceedings that may be related to matters addressed by this Order.

18 11. Respondent agrees that it will not apply to the state of Arizona for registration as a  
19 securities dealer or salesman or for licensure as an investment adviser or investment adviser  
20 representative until such time as all penalties under this Order are paid in full.

21 12. Respondent agrees that it will not exercise any control over any entity that offers or  
22 sells securities or provides investment advisory services within or from Arizona until such time as  
23 all penalties under this Order are paid in full.

24 13. Respondent consents to the entry of this Order and agrees to be fully bound by its  
25 terms and conditions.  
26

14. Respondent acknowledges and understands that if Respondent fails to comply with the provisions of the Order and this consent, the Commission may bring further legal proceedings against Respondent, including application to the superior court for an order of contempt.

15. Respondent understands that default shall render Respondent liable to the Commission for its costs of collection, including reasonable attorneys' fees and interest at the maximum legal rate.

16. Respondent agrees and understands that if Respondent fails to make any payment as required in the Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. Respondent agrees and understands that acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.

  
Trager, L.L.C.

By Randy Rondberg

Its Manager

STATE OF ARIZONA )  
 ) ss  
County of Maricopa )

SUBSCRIBED AND SWORN TO BEFORE me this 7 day of August, 2019.



  
NOTARY PUBLIC

## My commission expires:

November 23, 2022

SERVICE LIST FOR: In re: RONALD HORN et al., DOCKET NO. S-21038A-18-0022

Paul Roshka  
Craig Waugh  
POLISINELLI, PC  
CityScape, One East Washington Street  
Suite 1200  
Phoenix, AZ 85004  
Attorneys for Respondents

**Consented to Service by Email**